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ECONOMIC RESULTS FOR FIRST THREE QUARTERS OF 1989

(Million tons unless otherwise indicated)

Product	Jan-Sept 1989 Output	Jan-Sept 1989 as % of Jan-Sept 1988
Meat	9.6	100.9
Sausage products	2.9	102.
Butter	1.4	100.3
Wholemilk products	25.9	103
Edible fish products	4.3	96
Margarine products	1.1	96
Granulated sugar	6.0	111
Confectionary	3.7	105
Canned foods (bil. cans)	15.5	100.2
canned fruit/vegs	11.0	99.4
Nonalcoholic beverages (million dekaliters)	512	100.2
Alcoholic beverages (million dekaliters)	92.8	124
Cigarettes (billions)	252	95
Textiles (bil. m^2)	9.8	100.7
Footwear (mil. pairs)	596	101
Television sets	7.3	103
Refrigerators/freezers	4.8	103
Radios	6.3	105
Tape recorders	4.2	102
VCRs (thousands)	88.9	175
Sewing machines (thousands)	1,107	94
Washing machines	4.9	109
Vacuum cleaners	3.7	104
Furniture (bil. rubles)	7.2	106
Motorcycles (thousands)	713	98
Cars (thousands)	907	94
Paper (mil. rubles)	660	107
Household soap (thousand tons)	516	109
Toilet soap (thousand tons)	220	106

Industrial Production Figures for the First Three Quarters of 1989

As so often happens in the Soviet Union when the economic news is bad, there is no news. In this case there is a little news, but it is certainly restricted. We have already reported that there are no data available on a monthly basis, as used to be the case a year ago. Now it looks like they are holding back on some of the quarterly data as well. In fact, to some extent it is a throwback to the early Khrushchev and even late Stalin periods when we were not given base figures. For example, in this current report, we are told that crude oil and gas condensate output is 12 million tons lower than it was last year, but we are not given last year's figure. That means we have to go back and look at last year's figure, which was 468 million tons. That means that output for the first three quarters of 1989 was 456 million tons. They did the same thing with coal. Output fell 24 million tons. That would make up for the first nine months of 1989 a total of 555 million tons. Similarly, gas output, which rose 4% as of September 30, totalled 587 billion cubic meters.

What this does indicate, however, is that output has fallen. Oil output is down 3%, coal is down 4% although for the month of September alone, it was down 5%, reflecting the strikes in the coal industry and also the disruption in railroad transportation. Freight cars are being held back, in part by strikes and in part by ethnic feuding. The average number of people out on strike in the month of September was 100,000 a day. That is up from 34,000 for

the whole nine-month period.

There are other problems as well. Housing construction is down, and there has been a drop in the availability of many consumer goods. Retail sales of the following products have fallen: bread, cheese, fish, potatoes, vegetables, fruit, tennis shoes, bicycles, automobiles. Fruit sales are down 10% and sugar sales are down 12%. Rationing for meat has been introduced in 33 oblasts. There is also rationing for cooking oil and tea. To compensate for some of these difficulties, grain imports were increased 15% and sugar imports increased 23%.

In several cases, there has been an increase in retail trade. However, because the income of the population is up 16%, while industrial output is only up 0.3%, there has been a growth of inflation and the resulting shortages.

There does seem to be some good news. The number of people involved in the cooperative and private trade now exceeds 3.6 million. Similarly, as of October 1, there were 936 joint ventures, the number having almost doubled from the first of the year.

While that certainly helps, at the same time it is also necessary to remember that there are signs of a breakdown in the operation of the economy. For example, there are now reports that workers in the steel industry have been refusing to ship rails to the Communications Ministry because railroad workers were not delivering raw materials to the steel industry. As a consequence, the Prime Minister has had to intervene in an effort to break up the deadlock. What the statistics seem to show, especially those for September, is that there has been a gradual decline from last year and that the pace seems to be accelerating.

CONFERENCE ON JOINT VENTURES, TRADE AND FOREIGN INVESTMENT IN THE USSR

The Russian Research Center and the Washington, D.C. law firm of Heron, Burchette, Ruckert & Rothwell co-sponsored an all-day conference on US-Soviet joint ventures at Harvard on November 13. Panelists included lawyers, businessmen, economists, government officials, and scholars from the United States, the Soviet Union, and West Germany.

The Soviet visitors discussed the changes underway in their society, such as the formulation of new legislation concerning joint ventures, cooperatives, taxation, property, and environmental protection, and the modernization of ministries. They cited their general lack of experience at this early stage but outlined a number of measures which have and will be taken in the attempt to create a "new economic environment" with appeal to foreign companies contemplating setting up ventures in the Soviet Union. To date there are close to 1,000 joint venture agreements in various stages of development; approximately 100 of these are fully operational.

The Western businessmen and lawyers on the panels, like their Soviet counterparts, emphasized the changing atmosphere and the magnitude of the opportunities for Western investors. They shared their own experiences with Soviet partners and advised those seeking to enter into joint arrangements with the Soviets on successful strategies, potential difficulties and challenges, and future benefits such as the creation of free economic zones.

The predominant mood at the conference was one of optimism and enthusiasm. All of the speakers agreed that today's climate is a propitious one for the establishment of joint ventures between the Soviet Union and Western partners, offering numerous advantages to both sides, and urged increased cooperation in the future.

Nationalities and Challenges for the Next Five Months

On November 21, 1989, Dr. Andrus Pork of the Estonian Academy of Sciences, presented a general seminar at the Russian Research Center.

Dr. Pork prefaced his remarks by stating that while his comments would most immediately address developments in Estonia and the Baltic republics, the stages he will outline are to some degree applicable to the other restive republics.

Pork started his talk with a timetable of important events which will soon be taking place: December 1989 through March 1990 will see municipal, local, and parliamentary elections, the Lithuanian Party Congress will take place in December 1989, the Estonian Communist Party Extraordinary Congress will take place in January 1990, and October 1990 will witness the CPSU Congress.

The basic dilemma currently facing the Soviet Union is unity or reform. Either the system remains intact and stagnates or reforms and reconstitutes the political relationships between the periphery and the center.

Mr. Pork stated that he did not believe that republican self-management would work well. Moscow will be too reluctant to award all the rights requested by the republics. However, this economic self-management will serve as a catalyst for further political change. Political leaders will then use this failure to resolve the economic problems to demand more political concessions.

In terms of the political side of nationalist developments, Professor Pork identified a number of stages through which a universal pattern of national awakening can be identified. The process starts with the identification and politization of environmental issues. At the second stage, the emancipation of political thinking takes place and republican newspapers openly criticize the local party apparatus. In response to this, the party then launches an attack on the new thinkers, but eschews violence against the population. During the popular front stage, popular reform organizations mature and begin to build constituencies of like-minded individuals. The official response period features the replacement of the local party leadership. A new reformist leadership is installed and this gives the communist party breathing space. The party accepts the basic ideas of the popular front and in fact, this gives the party some momentum for a short period of time. The current stage within the dynamic features efforts to incorporate nationalist ideals into the republic's legal structure.

Developments over the next five months are difficult to predict. Movements within each republic have their own agendas. Some have strong secessionist tendencies. Others demand greater sovereignty and rights, and autonomous republics and oblasts seek upgraded political status.

In Estonia, emphasis is being placed on the historical dimensions, focusing on the events of 1939-40. Results of a commission of inquiry (published in Sovetskaya Estonia on Oct. 11, 1989) arrive at the conclusion that the 1940 decision to join the Soviet Union was illegal and therefore invalid, and the Estonian parliament now reserves the right to work for Estonian self-determination.

Dr. Pork concluded his remarks with the following observations. If democracy developes (a 50-50 chance, he speculates), the upcoming elections will prove to be the breaking point. It is now impossible to stop the reform process by political means, although it could be halted by force. Within the next six months to a year, political force will not longer be a viable option to stop the reform process.

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YURI CHERNICHENKO VISITS HARVARD

Yuri Chernichenko, newly elected Deputy to the Congress of People's Deputies and a leading agricultural writer, spoke at the Russian Research Center on October 4 about the current state of affairs in the Soviet Union. Chernichenko emphasized that in the four years since the beginning of perestroika, nothing has really changed. He talked about economic stagnation in all of the Soviet republics, with rampant inflation and a crisis of consumer goods, in which it is impossible to predict the availability of various items in the stores from one day to the next.

Chernichenko spoke at some length about the issue of private property, which is being widely discussed at present. He said that nothing concrete can really be achieved in this area while the Party controls everything from the Kremlin to the last kolkhoz. Chernichenko suggested that laws about land and property will be on the agenda before the next Congress of People's Deputies this fall. However, he called the whole issue a "paradox": while the USSR possesses enormous amounts of land, the system has rendered much of that land unproductive. He noted that although spending on agriculture has been twice the amount afforded to the military, Soviet harvests have remained at the same level. Chernichenko stated that the promise of agricultural growth is a myth concocted for the apparatchiks themselves.

He said that while democracy does not yet exist in the Soviet Union, the process of democratization has definitely begun.

BORIS GRUSHIN ADDRESSES RUSSIAN RESEARCH CENTER AUDIENCE

Boris Grushin, affiliated with the Institute of Public Policy Research in Moscow, visited the Russian Research Center for three weeks in October. On October 10 he delivered a lecture entitled "Perestroika: Public Perception vs. Reality."

As for public perception, Grushin suggested that people's reactions to the process of perestroika can be divided into three groups: those who are in favor of it, those against it, and those who are "waiting," i.e., people who are watching to see how it unfolds but declining to take an active role in the process. The perception of perestroika is greatly colored by the fact that the system of social communications and mass media is abominable. The people do not have access to information, yet they see the economic situation deteriorating, for example, with regard to the worsening consumer goods problem. Another example of this is the ecological situation in the Soviet Union; as people do not yet even understand the scope of the problem they can hardly be expected to know what to do about it.

Grushin said that the declining circumstances of daily life and the upsurge in negative phenomena such as crime, assault, rape, bribery, and burglary, to name a few, translate into negative attitudes towards the supposed solution offered by perestroika. The people experience confusion, disillusionment and feelings of helplessness, and uncertainty about the promises of political and economic reform. He said that some people have gotten angry, and others have simply adopted a passive stance. He ended this portion of his lecture with the statement that the people perceive themselves as a traditional, feudal society that has been pushed abruptly into the twentieth century.

As for the reality of the process, Grushin stated that the USSR comprises a society which has exhausted itself, i.e., that it is a totalitarian society that has reached an "end" and the people have felt this. He called the restructuring process irreversible, but concluded that he could not give a fair assessment of the process at this stage.